UNITED
NATIONS

A

General Assembly

Distr.
GENERAL

A/AC.109/1153
21 June 1993

ORIGINAL: ENGLISH

SPECIAL COMMITTEE ON THE SITUATION WITH
REGARD TO THE IMPLEMENTATION OF THE
DECLARATION ON THE GRANTING OF
INDEPENDENCE TO COLONIAL COUNTRIES
AND PEOPLES

ACTIVITIES OF FOREIGN ECONOMIC AND OTHER INTERESTS WHICH ARE IMPEDING THE IMPLEMENTATION OF THE DECLARATION ON THE GRANTING OF INDEPENDENCE TO COLONIAL COUNTRIES AND PEOPLES IN ALL TERRITORIES UNDER COLONIAL DOMINATION AND EFFORTS TO ELIMINATE COLONIALISM, APARTHEID AND RACIAL DISCRIMINATION IN SOUTHERN AFRICA

BERMUDA

Working paper prepared by the Secretariat

CONTENTS

	Paragraphs	Page
INTRODUCTION	1	2
I. GENERAL	2	2
II. INTERNATIONAL BUSINESS ACTIVITY	3 - 14	2

INTRODUCTION

1. Previous information on economic conditions in Bermuda with particular reference to foreign economic interests is contained in the working paper on the subject prepared by the Secretariat in 1992 (A/AC.109/1104). The working paper for the current session of the Special Committee (A/AC.109/1143) provides more recent information on general economic conditions in the Territory. Supplementary information on the activities of foreign economic interests in Bermuda is set out below.

I. GENERAL 1/

2. International company business is as important a contributor to the economy of Bermuda as its main industry, tourism. During the period under review, foreign companies continued to use Bermuda as their domicile for reasons that have changed little over the years. The Territory is attractive because there are no taxes on profits or income, and it has a good financial reputation. The regulatory system strives for sound financial business, yet is not so restrictive as to prevent businesses from prospering; it is flexible and allows companies freedom in conducting their business. Political stability is an important factor, as is the quality of the infrastructure provided by the Territory's banks and the expertise provided by a skilled and professional business community. Also, telecommunication links are excellent.

II. INTERNATIONAL BUSINESS ACTIVITY

3. According to a report featured in the "Offshore Financial Review", a publication of the Financial Times of London, Bermuda remains a solid, respectable offshore financial centre. The report further stated that the Territory's "unbureaucratic regulatory system, sound infrastructure and good communications ensure that it remains a popular option with international business". 2/

4. During the period under review, the Bermuda Government took steps to ensure that a positive environment existed for retaining and attracting international businesses to Bermuda. In that regard, the House of Assembly approved unanimously 58 amendments to the 1981 Companies Act. The resulting 1992 Companies Amendment Act was designed to make Bermuda a more attractive jurisdiction in terms of international business. The Government also announced its intention to amend the Insurance Act, 1978, and the Stamp Duties Act, 1976, in order to maintain the Territory's competitive edge as a financial centre. 3/

5. In 1991, the latest year for which data are available, the number of international companies registered in Bermuda reportedly rose to 7,089, an increase of 1.2 per cent over the 1990 figure. International firms employed 1,909 persons, of whom 64 per cent were Bermudian. The number of secondary jobs generated by the international business sector totalled 5,700, with a further 5,500 jobs being influenced by the tertiary effects of international company business activities. During the same period, the trading activities of exempted

and permit companies based in Bermuda contributed B$ 340 million 4/ to the local economy, a 7-per-cent increase over 1990. 5/

6. During the reporting period, the captive insurance company business continued to dominate the type of insurance companies set up in Bermuda. As previously reported, some 1,323 insurance companies were registered in Bermuda at the end of 1991, marking the end of a three-year decline in the registration of captive companies (A/AC.109/1104, para. 10). Gross premiums of all Bermuda-based insurers totalled more than B$ 13 billion in 1991, an 8.9-per-cent increase over the previous year. 6/ Total assets of insurance and reinsurance companies increased by 9.6 per cent to B$ 42.6 billion, while capital and surplus rose by 9.3 per cent to B$ 19.9 billion. 7/

7. According to a statement issued by the Office of the Registrar, the increase in gross premiums over 1990 figures was an indication of the insurance companies' commitment to, and confidence in, the Territory, as well as of the attractiveness of the Territory as a domicile for the larger insurance entities that market a variety of innovative insurance policies. The statement added that the ratio of premiums to capital and surplus demonstrated the "continued conservatism of Bermuda insurance and reinsurance companies". 7/

8. It was reported in June 1992 that the United States National Association of Insurers Commission (NAIC) had tabled legislation before a United States congressional committee to increase from 1 to 4 per cent the federal excise tax on reinsurance premiums originating from the United States. According to the report, the "model legislation" would impose tougher financial controls and severe restrictions on reinsurance arrangements called "fronting". The proposed tax change would affect Bermuda-based companies which reinsure business from insurance carriers in the United States. 8/ The draft legislation was expected to be adopted by the end of 1992.

9. According to the same report, the Registrar of Companies has stated that although passage of the legislation in the United States would have an impact on Bermuda's insurance industry, he did not anticipate an exodus of companies from the Territory. 9/ Sir John Swan, Premier of Bermuda, was also reported to have stated that Bermuda welcomed regulation changes that would "help to protect the integrity and stability of the industry". 8/

10. In the light of increased competition in offshore business, the threat of protectionist legislation in the United States and the unification of Europe, which made efforts to expand in the area of business considerably more difficult, in March 1992, the Premier announced the establishment of a Commission on Competitiveness mandated to seek ways to improve international business and to identify new business opportunities. An international business sector committee was appointed to examine competition faced by the Territory, the infrastructure of the Territory and its legislation, as well as protectionism by Bermuda and other countries. 10/

11. The sophisticated legal infrastructure in Bermuda has helped the Territory to become the jurisdiction preferred by lenders in offshore foreign sales corporation (FSC) transactions. At present there are four structures in the Territory, namely, the standard FSC, which is incorporated under the Companies Act of 1981; the FSC incorporated by a private act of Parliament; the FSC

combined with a Bermuda purpose trust, which requires that an appointed trustee hold the company's assets in trust for the specific purposes set out in the trust deed; and the FSC combined with a limited partnership. The Territory has also reportedly earned its reputation as a result of its efforts to increase the lender's protection in such transactions. 11/

12. It will be recalled that the Government had imposed a ban on the formation of new trust companies, thereby limiting to six the number of companies in the lucrative trust business. In 1991, however, the Government took the first step towards lifting the six-year ban when it amended the Trust Companies Act which would regulate the companies. Approval of that legislation resulted in the granting of licences to five new companies in August 1992, and the Ministry of Finance expected that additional trust company applications would be approved before September 1992 when the amended Act took effect. Under the Act, trust companies are to be supervised by the Bermuda Monetary Authority. 12/

13. In a statement on the Territory's potential for capital management, the General Manager of the Bermuda Monetary Authority is reported to have said that over the past five years, the international business sector had generated over B$ 1.5 billion in income for the Territory. He added that the amendment of the Trust Companies Act in 1991 was "a positive move towards enhancing Bermuda's role as a comprehensive financial centre" and that the new legislation would attract additional business to Bermuda. 13/

14. In January 1993, the Minister for Labour and Home Affairs confirmed that, owing to the importance of international companies to the economy of the Territory, changes had been made in immigration procedures in order to increase the Territory's attractiveness to international business. Formerly, international companies had been required to operate under the same immigration policies and procedures as those that control domestic operations. A relaxation of immigration procedures is expected to reduce bureaucratic and time-consuming immigration practices, provide concessions and accommodate international companies. 14/

Notes

1/ The information contained in the present paper has been derived from published reports.

2/ The Royal Gazette (Hamilton), 29 July 1992.

3/ Ibid., 7 November 1992.

4/ One Bermuda dollar (B$ 1.00) is equivalent to one United States dollar (US$ 1.00).

5/ The Royal Gazette (Hamilton), 24 November 1992.

6/ Ibid., 23 March 1992.

7/ Bermuda Sun (Hamilton), 31 December 1992.

8/ Ibid., 9 June 1992.

9/ The Royal Gazette (Hamilton), 26 June 1992.

10/ Ibid., 27 March 1992.

11/ Ibid., 10 April 1992.

12/ Ibid., 14 August 1992.

13/ Ibid., 15 April 1992.

14/ Ibid., 23 January 1993.